



BY ELECTRONIC MAIL: marketregulation@osc.gov.on.ca

August 26, 2014

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8

Dear Sirs and Mesdames:

RE: Application for recognition of Aequitas Innovations Inc. and Aequitas NEO Exchange Inc. as an Exchange ("Comment Paper") published on June 27, 2014

National Bank Financial ("NBF") appreciates the opportunity to comment on this Comment Paper. We fully support the CSA's statutory mandate to provide protection to investors from unfair, improper or fraudulent practices, and to foster fair and efficient capital markets and confidence in capital markets.

NBF is part of the diverse National Bank Financial Group ("NBFG") which: (i) manufactures mutual funds, owns proprietary distribution channels and supplies services to third party distributors; (ii) operates a discount brokerage firm; and (iii) is an IIROC-regulated investment dealer across Canada. We therefore take great interest in the regulatory initiatives contained in the Comment Paper and their potential impact on investors, the mutual fund industry, the investment industry and financial intermediaries.

Accordingly, our intention is to share our concerns regarding the regulatory initiatives contained in the Comment Paper and our experiences. We trust that our comments will be taken into account during the review process and also provide a positive and productive contribution to the outcome of the regulatory initiatives proposed in the Comment Paper.

With respect to some of the issues raised in the Comment Paper, our views are noted as follows:

Market Makers: Benefits, obligations and commitment

The Aequitas Exchange proposes that the market maker benefits apply to the Lit, Dark and Neo books; however, market makers' obligations would only apply to the Lit and Neo books. We don't believe that it is reasonable to have Market Maker obligations with respect to the Dark Book and Dark Pools generally given that there is no visibility into the orders in that book. Market makers play a broader role of assisting with the maintenance of a fair and orderly market and supporting market integrity by acting as a gatekeeper. We are comfortable with additional benefits provided to Market Makers as they commit capital and ensure price stability on Neo and Lit markets and earn the benefits by being a market maker in the lit books. If a market maker lives up to its obligations for which benefit is being provided within the rules and construct of the regulatory framework, it is fair that they be rewarded for the same.

The Aequitas Exchange proposes to allow designated market makers to commit additional dark liquidity at multiple price levels and in varying quantities within the Lit and Neo Books for securities listed on the Aequitas Exchange only. We are of the opinion that the incentive provided to Market Makers is adequate given the risk and the liability Market Makers take on to fulfill their obligations.

As good corporate citizens and one of the strongest Market Making firms in Canada, we would however appreciate a greater level of transparency with the process for the benefit of all market participants. In general, we feel that the more transparent the rules surrounding the market making program's obligations and benefits are, the more comfortable *all* stakeholders can feel that they are being treated fairly.

Application of the Order Protection Rule

We understand that the Aequitas Neo Book, as proposed, would be considered a transparent market and therefore OPR would apply to the Neo Book at launch, requiring all market participants, including Liquidity Sensitive Traders ("LSTs"), to direct their orders to the Neo Book if it displayed the best bid or offer. However, we do not believe that it is appropriate to require LSTs to route orders to a marketplace that does not treat these orders in the same manner as all others. In other words, if a market treats one class of participants differently on the basis of slowing their access (speed bumps) then it should not be protected.

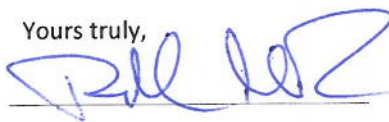
As for questions of timing, we believe that new market places should be treated based on the existing rules at the time of their launch despite the fact that proposed amendments are pending.

We feel it bears noting that the proposed structure & rules of the Aequitas Exchange introduce increased complexity in the Canadian market structure; and while its launch may provide more competition in the industry, it will also result in fragmentation and additional costs to dealers. The solution to simplifying an overly complex system is rarely introducing further complexity, which seems to be the case here.

From a technological perspective, we would strongly recommend that the Aequitas Exchange support all TSX symbology and product types at the time of launch. This would help minimize ongoing resource requirement and allocation to meet technological change requirements from the Exchanges.

NBF appreciates the opportunity to comment on this significant development in the Canadian trading landscape. We look forward to our continued participation in any further public consultation on this topic and our objective is to find solutions that are relevant for, and serve the needs of the Canadian market. NBF and its employees are willing to take a leadership role in this issue participating in consultations with investors, industry participants and the CSA.

Yours truly,



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